



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0014	Title:	General obligation bonds for state government
Primary Sponsor:	Nooney, Bill	Status:	As Introduced

- | | | |
|--|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input checked="" type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$515,909	\$945,193	\$1,716,487	\$1,720,718
State Special Revenue	\$0	\$0	\$0	\$0
Bond Proceeds	\$10,500,000	\$10,500,000	\$0	\$0
Revenue:				
General Fund	\$0	(\$3,200)	(\$3,200)	(\$6,400)
State Special Revenue	\$0	(\$202)	(\$202)	\$258,346
Bond Proceeds	\$10,500,000	\$10,500,000	\$0	\$0
Net Impact-General Fund Balance:	<u><u>(\$515,909)</u></u>	<u><u>(\$948,393)</u></u>	<u><u>(\$1,719,687)</u></u>	<u><u>(\$1,727,118)</u></u>

Description of fiscal impact:

HB 14 allows the Board of Land Commissioners to request the Board of Examiners issue and sell general obligation bonds to generate up to \$21 million for the purchase of fee simple interests in real property.

FISCAL ANALYSIS

Assumptions:

Department of Natural Resource and Conservation

- For the purposes of this fiscal note, it is assumed that all lands purchased are forested and legally accessible.
- The Common Schools will be the sole beneficiary and revenue generated from timber harvest will be deposited in the School Facilities Improvement Account.
- Land purchases will occur in two transactions of the same size. Each will purchase approximately 12,500 acres at \$800 per acre. Exact acreage and price will depend on available funds.
- The first land purchase will occur in the late summer of 2009 with the first bond payment in February 2012. The second land purchase will occur in the spring of 2011 with first bond payment in August 2012.

5. In addition, land acquisition costs (appraisals, environmental review) are estimated at \$5 per acre (\$65,500) for FY 2010 and FY 2011.
6. The land purchased will be combined with all other forested state trust lands and managed under the State Forest Land Management Plan (SFLMP) and all applicable laws and administrative rules (ARM 36.11.401–450). There are currently 481,797 classified forest state trust land acres.
7. The lands purchased will have a similar productive capacity and proportion of productive and nonproductive lands as existing forested state trust lands in the Northwestern Land Office and Southwestern Land Office.
8. The addition of these lands will result in an immediate and proportional increase in the sustained yield consistent with the most recent sustained yield study. The total acres purchased will be 25,000 acres, which results in a proportional increase in the annual sustained yield of approximately 2.25 million board feet (MMBF). (25,000 ac x 150 BF/ac/yr x .60 harvest of growth = 2.25 MMBF/yr).
9. The 3-year average stumpage value is \$230/MBF. Therefore, the additional annual sustained yield volume of 2.25 MMBF from the additional 25,000 acres would have an estimated value of \$517,500 annually (2.25 MMBF x \$230/MBF = \$517,500).
10. The additional revenue from the first half of the total acquisition (12,500 acres) will be realized beginning FY 2013. This is due to the time that lapses between selling timber and harvesting the timber, which is approximately 18 months. Timber revenue in FY 2013 is estimated to be \$258,750.
11. Additional revenue will be deposited into the School Facility Account MCA 20-9-516.

Department of Administration

12. Debt Service Costs on the bond repayment schedule is shown in the chart below.

FY	Total P&I on Series 2009	Total P&I on Series 2011	Total Debt Service
2010	\$423,409		\$423,409
2011	\$852,693		\$852,693
2012	\$848,953	\$864,335	\$1,713,287
2013	\$848,729	\$865,589	\$1,714,318

13. Issuance cost of bonds will be \$92,500 in FY 2010 and FY2011.

Department of Revenue

14. For property tax purposes each tract of property to be purchased are valued using the Department of Revenue's forestland valuation schedules at the average grade for zone 1 forest land (Northwest Montana) based on TY 2008 forest land productivity value of \$769.85 per acre at the Class 10 property tax rate (0.35%) for a taxable value of \$33,680 for each tract (12,500 acres X \$769.85 X 0.0035 = \$33,680). Property is assessed as of January 1 each year and revenue is received in the following fiscal year. The revenue is reduced in FY 2011 and the second tract in FY 2013. The General fund loss of revenue will be \$3,200 per year per tract (\$33,680 X 0.095 mills = \$3,200). The university system loss in state special six mill levy is \$202 per tract purchase (\$33,680 X 0.006 mills = \$202).

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
Department of Administration				
<u>Expenditures:</u>				
Debt Service	\$423,409	\$852,693	\$1,713,287	\$1,714,318
Bond Issuance Costs	\$92,500	\$92,500	\$0	\$0
TOTAL Expenditures	\$515,909	\$945,193	\$1,713,287	\$1,714,318
<u>Funding of Expenditures:</u>				
General Fund(01)	\$515,909	\$945,193	\$1,713,287	\$1,714,318
Department of Revenue				
<u>Revenues:</u>				
General Fund Property Tax	\$0	(\$3,200)	(\$3,200)	(\$6,400)
State Special Revenue	\$0	(\$202)	(\$202)	(\$404)
TOTAL Expenditures	\$0	(\$3,200)	(\$3,200)	(\$6,400)
Department of Natural Resources and Conservation				
<u>Expenditures:</u>				
Operating Expenses (02)	\$65,500	\$65,500	\$0	\$0
Capital Purchase-Land	\$10,434,500	\$10,434,500	\$0	\$0
TOTAL Expenditures	\$10,500,000	\$10,500,000	\$0	\$0
<u>Funding of Expenditures:</u>				
Bond Proceeds (05)	\$10,500,000	\$10,500,000	\$0	\$0
<u>Revenues:</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$258,750
Bond Proceeds (05)	\$10,500,000	\$10,500,000	\$0	\$0
TOTAL Revenues	\$10,500,000	\$10,500,000	\$0	\$258,750
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$515,909)	(\$948,393)	(\$1,716,487)	(\$1,720,718)
State Special Revenue (02)	\$0	(\$202)	(\$202)	\$258,346
Bond Proceeds	\$0	\$0	\$0	\$0

Effect on County or Other Local Revenues or Expenditures:

1. The local government impact will be a total loss of per tract based on the average consolidate local mills of 394 mills for forestland or \$13,370 per tract per year (\$33,680 X 0.394 = \$13,270).

Long Term Impacts:

1. The School Facility Account will have a new ongoing revenue stream. Additional revenue of \$517,500 will be deposited in to the School Facility Account for each year after FY 2013.

Sponsor's Initials

Date

Budget Director's Initials

Date